II. Business Conditions

1 Management Policy, Business Environment, and Issues to be Addressed

The Group's management policy, business environment, and issues to address are as described below.

Please note that the statements about the future in the text are judgments the Group made at the end of the fiscal year ended January 31, 2026.

(1) Management policy

Based on the Company's management philosophy of being an Engineer Support Company, the Company is committed to serving as a technical partner that contributes to the sustainable growth of client companies. This basic stance, developed over many years, has built up a lot of trust and achievements, establishing the Company's firm position as a pioneer in the industry. The Company will continue to expand its corporate value by promoting management that will win the support and approval of its clients, shareholders, employees, and all other members of society.

(2) Corporate planning and strategy

(Guiding principle for the Medium-Term Business Plan)

"Build a foundation for sustainable and next-generation growth"

"Make Value for 2025 to 2029"

(Priority measures for the Medium-Term Business Plan)

(i) Promote strategies by segment

- Increase workforce allocation in high-end fields with a focus on carbon neutrality projects
- Enhance work assignment levels through OJT in contracting projects

(ii) Promote diversity and inclusion in talent management

- Strategically shift to contracting to adapt to the changes in the business environment
- Utilize workers of retirement age, women, and foreign workers (overseas students) as personnel
- Utilize and organize partner companies

(iii) Explore new business and revenue opportunities

- Evolve into a comprehensive technical service company through M&A and alliances

(3) Objective indicators for assessing the achievement status of management goals, etc.

In the engineer dispatching business, the Group's main business, the Group is working to increase the added value of its engineers by enhancing the recruitment and training of engineers and strategically assigning them to growth and high value-added fields, while also striving to improve the efficiency of its business operations by maintaining a high utilization rate. The Group has positioned the operating margin as an important management target, which the Group uses as an objective indicator for assessing the progress made in these areas.

(4) Business environment

Regarding the Japanese economy during the current consolidated fiscal year, although there was concern over the effects of US trade policy, particularly on the automotive industry, R&D efforts of client companies trended steadily. As a large proportion of the Group's engineers are assigned to R&D as well as design and development fields, the Group continued to see strong demand for engineers from automotive-related manufacturers and semiconductor manufacturing equipment manufacturers, just as it had during the previous period.

Looking ahead, the destabilization of the international situation continues to pose a downside risk to the global economy. However, the Group's strategically important clients, such as automotive-related manufacturers and semiconductor manufacturing equipment manufacturers, are expected to increase their development speed through proactive investment in key areas under the national government's growth strategy.

(5) Business and financial issues that should be prioritized

The Group's main business, which is the engineer dispatching business, consists of a cycle of recruitment, training, sales, and support activities. The Group must address the following issues for future business expansion.

(Recruitment activities)

The Group views securing and increasing the number of talented engineers as an essential requirement for the expansion of the Group's business. Therefore, the Group will strive to secure high-quality talents that meet the market needs by implementing measures such as improving its recruitment criteria, securing recruitment opportunities, hiring diverse and inclusive talents, optimizing the composition of engineers by field and business domain, and optimizing the composition of new graduate and career hires.

With regard to the recruitment of new graduates, the Group will conduct company information sessions and interviews, etc., either online or in person, for students in order to secure participants in the selection process. The Group will also regularly provide detailed follow-ups to universities and prospective employees, and hold get-togethers for prospective employees in an effort to increase the percentage of prospective employees who join the Company.

(Training activities)

The Group will improve the skills of its engineers by providing general, external, basic, customized, and/or career training based on its long-accumulated experience.

In addition, the Group will strive to improve the technical and human skills of its employees by holding skill development seminars for all employees and human development training for managers.

(Sales activities)

The Group will secure and expand its business partners by strengthening its new business development and sales capabilities, utilizing online conferencing tools, and making proposals for the selection of engineers, team dispatching, and organization of contracting services in response to client needs.

In addition, the Group will negotiate with client companies to assign and place appropriate engineers for improved business terms and conditions, such as an increase in the unit price of engineers.

(Support activities)

Through regular interviews with engineers, including online meetings, the Group will strive to improve the retention rate by providing guidance and advice according to the engineers' wishes and actual conditions, and by providing dedicated counselors for improved mental health and motivation.

2 Approach to and Efforts toward Sustainability

The Group's approach to and efforts toward sustainability are as stated below.

Please note that the statements about the future in the text are judgments the Group made at the end of the fiscal year ended January 31, 2026.

(1) Sustainability in general

Artner's basic approach to promoting sustainability activities is to support the growth and self-actualization of engineers based on the Company's management philosophy of being an "Engineer Support Company that supports our engineers' dreams," while seeking to maximize corporate value, contribute to the resolution of social issues through its business activities, and build a foundation for sustainable growth and growth for the next generation. Based on this approach, the Company has established the following Basic Sustainability Policy as well as a human rights policy, procurement policy, and other policies to clarify the principles and direction of its corporate activities. In addition, considering stakeholder interests and social issues, as well as their impact on the Company's business management, the Company has identified eight materiality topics (material issues) that should be prioritized and is engaging in effective management practices and business activities to resolve these issues.

To ensure that the Group's sustainability initiatives are accessible to all stakeholders, the Group provides information in its Annual Report, on its sustainability website, and through other means.

Basic sustainability policy

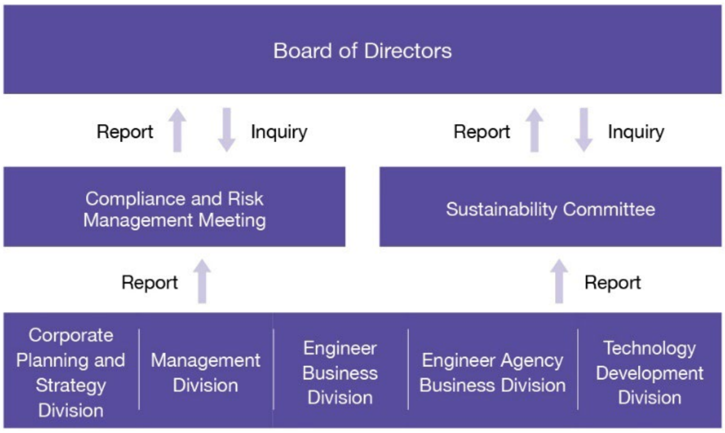
Cultivating people	To foster engineers to support manufacturing industries.
Employee happiness	To provide a workplace environment that makes the work of all employees meaningful and fulfilling.
Corporate governance	To sustain and develop positive relationships with all stakeholders, while strictly abiding by all applicable laws and regulations.
Contributing to society	To make a positive contribution to society through business, to help build a better and more prosperous world.

(i) Governance

Artner sees sustainability issues, including social and environmental issues such as the recent SDGs and ESG, as key management issues, and has established the Sustainability Committee to serve as a structure to promote sustainability management. Under the direct supervision of the Board of Directors, the Committee is responsible for establishing sustainability policies, targets, and action plans, managing and evaluating progress toward these targets, deliberating on individual measures, and reporting to the Board of Directors.

The Committee, chaired by the President and CEO, is composed mainly of Directors who are not members of the Audit and Supervisory Committee, Directors who are members of the Audit and Supervisory Committee, and division heads and managers, and is held four times a year.

Structure for promoting sustainability



(ii) Strategy

The Company's materiality topics (material issues) are determined through the following process.

a. Identify the issues

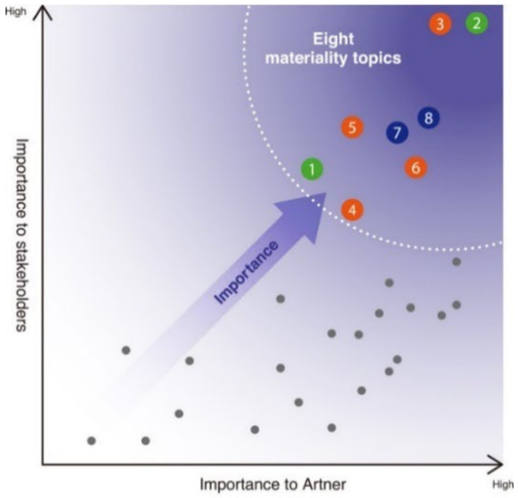
The Company analyzed potential materiality topics based on various international standards, ESG-related external evaluations, and requirements from society including stakeholders. Thirty-one topics were identified.

b. Prioritize the issues

The identified issues were assessed by conducting internal and external stakeholder surveys in terms of their expectation and requirement levels for Artner, and then prioritized by two criteria: "importance to stakeholders" and "importance to Artner."

c. Validate and determine the material issues

Selected and prioritized issues were reviewed in the Sustainability Committee for validation to finalize Artner's eight materiality topics.



Eight materiality topics
(relevant ESG issues)

Environmental	1 Improve energy efficiency and reduce energy usage 2 Contribute to carbon neutrality through business activities
Social	3 Resolve social issues by creating jobs 4 Respect human rights 5 Promote diversity and inclusion 6 Develop and secure promising talents
Governance	7 Strengthen corporate governance 8 Promote compliance management

(iii) Risk management

In addition to clarifying the system for the overall management of various risks, the Company classifies and defines each business risk by type and has the department in charge of each type of risk monitor and analyze the risk situation. The Company also has a system in place for the overall management of various types of risks through the Compliance and Risk Management Meeting, where the Company clarifies and monitors the management and countermeasures for each type of risk.

(iv) Indicators and targets

The Company has categorized the eight materiality topics (material issues) into three areas (Environment, Social, and Governance), and set and monitor KPIs and targets for each issue. These indicators and targets are deliberated on and evaluated by the Sustainability Committee, then reported to the Board of Directors by the President and CEO, who chairs the Sustainability Committee. The Company reviews these materiality topics (material issues), indicators, and targets as necessary, based on the business environment and awareness of the issues.

(2) Climate Change

In recent years, the social environment has continued to change on a global scale, and addressing social issues, such as initiatives based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), has become an important item on the management agenda. The Company regards addressing climate change as a material issue and has made carbon neutrality a pillar of its business activities in its Medium-Term Business Plan (FY2026–FY2030). The Company will continue to strategically prioritize markets linked to carbon neutrality, such as electric vehicle (EV), hybrid vehicles (HVs), fuel cell vehicle (FCV), automated driving, and semiconductor-related markets, and will focus on recruitment, education, and sales for these markets. Moreover, by having the Company's engineers participate in carbon neutrality-related technology development projects such as these, the Company will advance the development of these technologies and support their widespread use in the market, thereby contributing to the realization of carbon neutrality.

In July 2022, the Company announced its support for the recommendations from the Task Force of Climate-related Financial

Disclosures (TCFD). The Company will disclose information in a manner consistent with the recommendations published by the TCFD, with the aim of achieving a sustainable society.

(i) Governance

As the Company has rated climate change as a high-priority issue, the Company has established the Sustainability Committee as a special committee for discussing sustainability-related issues including climate change. This Committee is established directly under the Board of Directors, and reports and submits the topics it discusses to the Board, which then deliberates and makes decisions on them. The content of such discussions will be disclosed externally and reflected in the Company's management policies and various initiatives.

The Committee, chaired by the President and CEO, is composed mainly of Directors who are not members of the Audit and Supervisory Committee, Directors who are members of the Audit and Supervisory Committee, and division heads and managers, and is held four times a year. The Committee promotes and manages the status of sustainability issues and initiatives, including those related to climate change.

The topics deliberated in the Committee are reported to the Board of Directors. The Board then deliberates and adopts the resolutions on important risks and opportunities related to climate change, gives instructions on how to deal with them, and supervises the progress of such initiatives.

(ii) Strategy

In April 2022, the Company's Sustainability Committee conducted a climate change scenario analysis based on the recommendations from the TCFD. For this analysis, the Company identified key risks and opportunities related to climate change and conducted a qualitative evaluation of their impact. The Company's first scenario analysis, which covered the Company's main business area of engineer dispatching, used two scenarios (the 4°C scenario and a combination of the 1.5°C and 2°C scenarios) to examine the impact of climate change in the year 2030. The Company extracted risks and opportunities, and the degree of impact on its business activities was evaluated on a three-point scale of large, medium, and small.

Regarding the financial impact of climate change on its business, the Company considers the risk of climate change to be low, as it is primarily engaged in engineer dispatching services in Japan and does not need to own production facilities or other equipment.

Summary of scenario analysis results (risks and opportunities)

Short-term: Impact is apparent in less than 3 years; Medium-term: Impact is apparent in 3 years to less than 10 years (up to around 2030); Long-term: Impact is apparent in 10 years or later

Based on financial impact – Large: Impact is clearly large; Medium: Degree of impact is unknown; Small: Impact is clearly small; -: No impact is expected.

Large category	Medium category	Small category	Timeframe	Consideration: risks	Evaluation (risks)	Consideration:opportunities	Evaluation (opportunities)
Transition (1.5 and 2°C scenarios)	Policies and regulations	Carbon price (carbon tax)	Short- to long-term	The Company's main business is the dispatching of engineers, and it has offices and training facilities to meet the needs of client companies. Therefore, if a carbon tax is introduced, there is a risk that overhead costs will increase with the use of electricity.	Medium	–	–
		Renewable energy policy	Short- to long-term	There is a risk that expenditures will increase if the price of renewable energy rises due to the promotion of renewable energy policies resulting in an increased demand for renewable energy.	Medium	–	–

	Energy-saving policy	Short- to long-term	The Company uses leased office space for its business and training facilities. There is a risk that the conversion of normal office buildings into net-zero energy buildings (ZEBs) will lead to an increase in expenditures because the cost of developing ZEBs will be added to the rent or the tenant fee.	Medium	–	–
Technology	Advances in low-carbon technologies	Short- to long-term	The Company's main customers are in the automotive industry, which requires the Company to provide engineers who can develop products related to low-carbon technologies. If the Company is slower than its competitors to respond to these technologies, the Company's engineers' skills may be considered obsolete and the demand for the dispatch of engineers may shrink, resulting in decreased sales. If new technologies need to be incorporated, costs for information gathering and training may increase.	Large	A low-carbon society may be promoted, which will lead to an increase in the demand for products using low-carbon technologies. In such a case, the Company's sales may increase due to an increased demand for the dispatch of engineers to its existing clients and new clients.	Large
Market	Change in demand for important products	Short- to long-term	The Company's main customers are in the automotive industry, which requires the Company to provide engineers who can develop products related to low-carbon technologies. If the Company is slower than its competitors to respond to these technologies, the Company's engineers' skills may be considered obsolete and the demand for the dispatch of engineers may shrink, resulting in decreased sales. If new technologies need to be incorporated, costs for information gathering and training may increase.	Medium	Since the Company's main customers belong to the automotive industry, actively attracting engineers who can deal with the design and development processes that support the shift to zero-emission vehicles (ZEVs) may lead to increased demand for the dispatch of engineers, which could result in higher sales. The advancement of low-carbon technologies has accelerated the speed of development of low-carbon business. Enhancing its recruitment and training systems as well as its services to meet the increasing number of requests from clients could lead to increased sales. If extreme weather conditions increase, along with a rising demand for seasonal products such as air conditioning	Large

						products that can deal with higher/lower outdoor temperatures, this may lead to the manufacturers' increased demand for the development of HVAC equipment, resulting in growing demands for the dispatching of engineers and increased sales.	
	Reputation	Change in reputation from customers	Short- to long-term	The momentum for decarbonization is growing throughout the supply chain. Clients may require their suppliers to reduce emissions and disclose relevant information. In particular, the automotive industry, which accounts for a major part of the Company's customer base, is making much progress in this area than other industries. If the Company's efforts are deemed insufficient, there is a risk that the Company's reputation will be damaged, leading to a decrease in sales. In addition, significant costs may be required to address these issues.	Large	As the entire supply chain of the automotive industry is making an effort to reduce emissions, if the Company becomes recognized as a leader in addressing climate change issues, this could lead to increased sales.	Large
		Change in reputation of the Company's employees		–	–	If the Company's environmental initiatives and the track record for dispatching engineers who have low-carbon skills are highly regarded by job seekers, the Company's image may improve, which could serve as an advantage over other companies in recruiting talents.	Large
		Change in reputation from investors	Short- to long-term	The trend toward decarbonization may require investors to consider factors such as the decarbonization efforts and GHG emissions of companies that they invest in before making decisions, which may incur additional costs.	Medium	If factors such as environmental initiatives and GHG emissions become more important in making investment decisions, and if investors see that the Company's environmental efforts are advanced, this may lead to a rise in the stock price and an inflow of investment capital.	Medium

Physical impact (4°C scenario)	Acute	Intensifying extreme weather events (typhoons, torrential rains, landslides, storm surges, etc.)	Long-term	If client companies are adversely affected by increased natural disasters causing operation downtime, etc., the Company's sales may decrease due to reduced demand for engineers as a result of R&D budget cutbacks. Also, in the event that the Company's offices and training facilities are affected by such disasters, costs for recovery and relocation may be incurred.	Large	–	–
	Chronic	Increased average temperature	Long-term	Rising average temperatures will increase the use of air conditioning, which may increase costs at all its business and training facilities.	Small	If rising outdoor temperatures increase the need for safer and more comfortable indoor temperatures, the manufacturers' demand for developing HVAC equipment will increase, which may result in an increased demand for the dispatching of the Company's engineers and increased sales.	Medium

(iii) Risk management

At the Compliance and Risk Management Meeting, the Company identifies risks that need to be addressed among various risks such as climate change, sets priorities for responding to such risks, and manages progress on an ongoing basis. The topics discussed in the Meeting are reported and submitted to the Board of Directors, which then deliberates and makes decisions on such topics.

(iv) Indicators and targets

The Company calculates its greenhouse gas (GHG) emissions as shown below.

The Company's goal for FY2051 is to achieve net zero GHG emissions

Greenhouse gas (GHG) emissions

unit: tCO2

Indicator	Description	Result		Target
		FY2025	FY2026	
scope1	Use of fuel for rent-a-cars	20.9	22.1	Net zero
scope2	Use of electricity at the Company's locations	133.2	119.8	
scope3	Purchased goods and services; employee commuting, business travel, etc.	1,471.8	1,780.4	

*Due to the difficulty of providing a unified statement for the entire Group, only information for the submitting company, which operates the Group's main businesses, is stated

(3) Human Capital

Artner's Management Philosophy is "Engineer Support Company: We support our engineers' dreams," and the Company's Purpose is to "support the growth and self-actualization of engineers, who are Japan's world-class assets." As they embody, the Company has promoted its business as a corporation that exists for the sake of engineers' growth while always asking itself what it can do for them. The Company believes that creating value for the engineers themselves will, in turn, create value for Artner. The Company also believes that talent is the Company's greatest business asset, and that talent development and organizational development are key areas essential to the Company's growth.

(i) Governance

Artner has established a Sustainability Committee to maximize the value of its human capital. The Committee is composed mainly of Directors who are not members of the Audit and Supervisory Committee (including the President and CEO), Directors who are Audit and Supervisory Committee members, as well as division heads and managers. The Committee is held four times a year. At each meeting, the members hold discussions to promote and manage the progress of issues and initiatives related to human capital. The Director/Head of the Management Division serves as the overall supervisor and the Management Division's General Affairs and Human Resources Group functions as the Health and Productivity Management Promotion

Office to plan, operate, and promote different health-related initiatives. The Board of Directors oversees sustainability matters, including occupational health and safety, and deliberates on key issues such as respect for human rights, the promotion of diversity and inclusion, and talent development and retention.

(ii) Strategy

The Company believes that supporting the growth and self-actualization of engineers, who are Japan's world-class assets, and creating value for the engineers themselves will, in turn, create value for Artner. The Company considers its engineers to be not only assets of Artner, but also shared assets of Japan, and the Company nurtures engineers as a platform to support their growth and self-actualization based on its policy on talent development. Amid a rapidly changing work environment and mindset, driven by talent mobility and diversity, the Company will strive to promote the happiness of working engineers and create a new model for "life as an engineer."The Company is also committed to providing a satisfying work environment and supporting the growth and self-actualization of each and every one of its staff members, as stated in its basic sustainability policy: "aiming for the happiness of all employees." The Company's main business, which is the engineer dispatching business, consists of a cycle of recruitment, training, sales, and support activities. The Company must address the following issues for future business expansion.

(Recruitment activities)

The Company views securing and increasing the number of talented engineers as an essential requirement for the expansion of the Company's business.

Therefore, the Company will strive to secure high-quality talents that meet the market needs by implementing measures such as improving its recruitment criteria, securing recruitment opportunities, hiring diverse and inclusive talents, optimizing the composition of engineers by field and business domain, and optimizing the composition of new graduate and career hires.

With regard to the recruitment of new graduates, the Company will conduct company information sessions and interviews, etc., either online or in person, for students in order to secure participants in the selection process. The Company will also regularly provide detailed follow-ups to universities and prospective employees, and hold get-togethers for prospective employees in an effort to increase the percentage of prospective employees who join the Company.

(Training activities)

The Company is building a "T-shaped specialist education system," a system for improving the skills of each and every engineer, in which the horizontal axis represents specialized knowledge and work skills, and the vertical axis represents general education and communication capabilities. Through this system, the Company will strive to enable new employees and workers with little or no experience to participate in cutting-edge projects at an early stage and shift their careers to growing industry fields. In addition, the Company will strive to improve the technical and human skills of its employees by holding skill development seminars for all employees and human development training for managers.

(iii) Risk management

At Artner, the Compliance and Risk Management Meeting identifies human capital risks and opportunities, and monitors their progress. Risks and opportunities that may have a significant impact on investors' decisions include the following.

(Effectiveness of education and training)

The Company strives to improve the skills of its engineers by providing training programs that have been developed based on many years of experience. However, if the training does not turn out to be as effective as expected and the unit price of engineers does not increase due to low customer satisfaction, and/or if the Company fails to satisfy the requests from clients and they start to make complaints, the Company's financial status and business performance may be affected.

Conversely, if engineers' skill improvement raises client satisfaction and client ratings, the unit price of engineers may increase and its competitiveness in the industry may elevate, creating opportunities for corporate growth.

(Securing science and engineering graduates)

The Company considers science and engineering graduates to be an important managerial resource, but if the population of science and engineering graduates were to decrease due to the declining birth rate and other factors, making it significantly more difficult to hire talented graduates, the Company's financial status and business performance may be affected.

Conversely, the Company hopes to resonate with students by highlighting the Company's recruitment method—it hires talent to meet the requirements of their intended destination, provide them with education and training as engineers, and only then assign them to projects—as well as the fact that Artner is a job-based employment company that emphasizes their skills, and that they will be able to quickly advance their careers while gaining experience in a variety of fields. By acquiring and training outstanding talent, the Company can expect to maintain and strengthen a stable earnings base.

(Securing career engineers)

The Company considers engineers with work experience to be an important managerial resource. However, if the competition to secure career hires intensifies due to a shortage of engineers who wish to change jobs as a result of booming design and development activities in the manufacturing industry, making it significantly more difficult to hire talented career engineers, the Company's financial status and business performance may be affected.

Conversely, the Company hopes to resonate with job seekers by highlighting the Company's recruitment method—it hires talent to meet the requirements of their intended destination, provide them with education and training as engineers, and only then assign them to projects—as well as the fact that Artner is a job-based employment company that emphasizes their skills, and that they will be able to quickly advance their careers while gaining experience in a variety of fields. By acquiring and training outstanding talent, the Company can expect to maintain and strengthen a stable earnings base.

(iv) Indicators and targets

The Company has established indicators and targets to evaluate the effectiveness of human capital initiatives in line with its Medium-Term Business Plan. The targets the Company sets are reviewed according to changes in the external environment and its progress made on human capital measures.

Indicators	KPI	Result for FY2026	Target
Talent development	Average hours of annual training per employee (engineer)	86.6 hours	Same level each year
	Average cost of annual training per employee (engineer)	73,000 yen	Same level each year
	Percentage of employees who have received talent development training	79.6 %	Same level each year
	Percentage of employees who have received harassment training	100.0%	100.0%
Work engagement	Work engagement score (Measurement method: New Brief Job Stress Questionnaire)	2.6	2.7
Mobility	Number of new graduates (engineer)	154	210(FY2028)
	Number of career hires (engineer)	87	120(FY2027)
	Term-end engineer count	1,315	2,100 (FY2030)
	turnover rate (engineer) *Excluding retirement and turnover via the Company's assistance program to change jobs	8.9%	Under 10.0%
	Recruitment cost(engineer)	JPY 0.54 billion	JPY 0.76 billion (FY2030)
Diversity	Share of female employees (engineers)	4.9 %	10.0% or more
	Share of female employees (administration)	37.0 %	Increase on an ongoing basis
	Share of female employees (engineers) among new employees	9.1 %	Increase on an ongoing basis
	Share of female employees (administration) among new employees	50.0 %	Increase on an ongoing basis
	Share of female employees in managerial positions	5.4 %	Increase on an ongoing basis
	Share of female directors	0.0%	30.0% or more (FY2031)
	Wage difference between male and female employees (overall)	Male 100.0%:Female 90.6 %	Narrow the difference
	Wage difference between male and female employees (engineers)	Male 100.0%:Female 94.8 %	Narrow the difference
	Wage difference between male and female employees (administration)	Male 100.0%:Female 72.8 %	Narrow the difference
	Usage rate of childcare leave (male employees)	81.8 %	30.0% or more
	Usage rate of childcare leave (female employees)	100 %	80.0% or more
Health/Safety	Presenteeism	92.3 %	100%
	Absenteeism	0.9%	0.0%
	Number of occupational accidents	7	None
	Occupational accident-related fatality rate	0.0%	0.0%
	Downtime due to occupational accidents	8 hours	0 hours

	Percentage that received health and safety training, attendance rate	100.0%	100.0%
Compliance	Number of serious human rights issues	None	None
	Number of discrimination incidents	None	None
	Percentage of employees who have received compliance training	100.0%	100.0%
	Percentage of employees who have received information security training	100.0%	100.0%

*Due to the difficulty of providing a unified statement for the entire Group, only information for the submitting company, which operates the Group's main businesses, is stated.

To achieve the targets, the Company is specifically making the following efforts.

(Talent development/Work engagement/Mobility)

Artner will strive to improve the skills of its engineers by providing general, external, basic, customized, and/or career training based on its long-accumulated experience, such as the "human skill enhancement seminar" and "technological capability booster lectures" that help develop leadership skills. In addition, the Company will strive to improve the technical and human skills of its employees by holding skill development seminars for all employees and human development training for managers.

Specifically, the Company facilitates the improvement of all engineers' skill levels through educational programs and training curricula segmented by business field, with the aim of promoting the assignment of engineers to upstream business areas where the unit price of engineers is likely to be higher. This has resulted in more engineers being assigned to upstream business areas, leading to an increase in the unit price of engineers and to the operating margin exceeding the target. In addition, due to the revamping of its business model (establishment of four business divisions), engineers have been more attracted to the Company, and the turnover rate has been lower compared to before the revamping.

For the development of next-generation leaders, the Company regularly conducts manager training.

The Company established the Nomination and Remuneration Committee as an advisory board to the Board of Directors, whose chair and a majority of the members are independent outside directors. The committee deliberates on the nomination of the President and CEO, directors (not members of the Audit and Supervisory Committee), directors (members of the Audit and Supervisory Committee), and executive officers (hereinafter collectively referred to as "officers, etc." in this paragraph). By doing so, the Company seeks to leverage the knowledge and advice of outside directors, ensure the objectivity and transparency of the nomination process for officers, etc., enhance the supervisory function of the Board of Directors, and further strengthen its corporate governance.

The Nomination and Remuneration Committee meets at least four times a year to deliberate and evaluate the continuation or replacement of candidates and reports the results to the Board of Directors.

- Talent retention

The Company strives to increase motivation and improve the retention rate by holding regular interviews with engineers, including online meetings, and providing guidance and advice according to the engineers' wishes and actual conditions. In addition, the Company provides access to dedicated counselors for mental health care who help its engineers find answers to various problems they face.

(Diversity)

- Promotion of active participation of women

To help establish an employment environment that enables the active participation of women and permits employees to achieve a better work-life balance, Artner has formulated a General Employers Action Plan, based on the Act on Promotion of Women's Participation and Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children. The Company is working to increase the number of female employees in managerial positions and improve the childcare leave and nursing care leave utilization rate.

- Payment of fair wages

Artner's wage system does not pay different wages based on gender. However, due to the higher proportion of male employees in high-ranking positions, the overall wage difference between male and female employees was 100.0% (male): 90.6% (female) in FY2026. To narrow this gap, the Company is working to increase the ratio of female employees in managerial positions through training and other measures for female employees.

- Promotion of diversity

The Company believes that promoting workplace diversity and giving all employees the opportunity to demonstrate their full potential will lead to innovation and value creation. In September 2011, the Company established the Diversity Promotion Office (now Diversity Team) as a department focused on people with disabilities. This department promotes the employment of people with disabilities as well as the creation of a fulfilling workplace. The Company strives to foster an inclusive company culture, through measures such as diversity training, LGBTQ study meetings, and activities to promote an understanding of gender equality by all employees.

(Health/Safety)

- Occupational safety and health

By considering the occupational health and safety of its employees, Artner strives to enhance corporate value and create an organization where all the employees can work safely and with peace of mind.

In addition, because the Company believes that the ability of its employees to work in good health and with peace of mind will result in the well-being of all the employees and reflection within the company, the Company promotes employee health management and health promotion initiatives.

- Risks related to potential hazards involved in labor

The Company strives to prevent accidents and reduce the risk of accidents occurring by providing health and safety education for employees when they join the company and when they are assigned to clients.

- Employee benefits offered

The Company has established the Employee Stock Ownership Association, a system that allows employees to build their assets without a significant commitment through the purchase of company stocks. Funds to purchase company stocks are deducted from employee salaries and bonuses for non-burdensome, planned investments, with the Company paying out subsidies depending on how much money was contributed in a month.

- Stance on the labor union

The Company will respect the rights of employees to form and join labor unions, to bargain collectively, and to participate in peaceful assembly of their own volition, as well as their rights to withhold such participation. Artner's labor union is named Artner Workers' Union. The superior body it belongs to is UA ZENSEN.

(Compliance)

- Human rights

In line with the principles of the United Nations Global Compact, Artner has established a human rights policy and prohibits forced labor, slavery or labor trafficking, and child labor. In addition, the Company has established a mechanism for human rights due diligence in line with the United Nations' Guiding Principles on Business and Human Rights, and will identify negative impacts on human rights and work toward preventing and mitigating them, continuously assess the effectiveness of its efforts, and make appropriate disclosures. There have been zero consultations about discrimination during the current fiscal year.

- Social risks in supply chains

Artner recognizes that human rights initiatives are required not only by the Company, but also by its supply chain. The Company has therefore established a procurement policy and will comply with laws and regulations and respect basic human rights as a responsible member of society. The Company shares its approach to human rights with its suppliers and strives to identify human rights risks in the supply chain as part of its procurement process.

3 Business and Other Risks

Of the matters regarding business conditions and financial information included in the Annual Securities Report, those that may have a material impact on investors are stated below. Please note that the statements about the future in the text are judgments the Group made at the end of the fiscal year ended January 31, 2026.

(Performance trends in the manufacturing industry)

The Group's major clients belong to the manufacturing industry, and the Group dispatches engineers primarily to their design and development departments. If these major clients were to reduce their capital investments, R&D costs, and the use of external engineers due to economic recession and other factors in the countries or regions in which they operate, the Group's financial status and business performance may be affected. In addition, if significant changes in the business environment take place for automotive-related manufacturers, which account for a large share of the Group's sales, the Group's financial status and business performance may be affected.

(Competition with other companies in the industry)

If competition with other companies intensifies due to market contraction or new entrants in the engineer dispatching industry, where the Group operates its business, and this results in a fierce price competition, the Group's financial status and business performance may be affected.

(Effectiveness of education and training)

The Group strives to improve the skills of its engineers by providing training programs that have been developed based on many years of experience. However, if the training does not turn out to be as effective as expected and the unit price of engineers does not increase due to low customer satisfaction, and/or if the Group fails to satisfy the requests from clients and they start to make complaints, the Group's financial status and business performance may be affected.

(Securing suitable clients for the Group's dispatching business)

Although the Group always strives to secure and expand its clients for its engineer dispatching business, if the Group is unable to find suitable clients that match its engineers and cannot maintain or improve the unit price of engineers and/or utilization rates, the Group's financial status and business performance may be affected.

(Regulations on total work person-hours)

The total work person-hours of the Group's engineers is determined based on the business conditions of the client company. If the revisions to relevant laws and regulations generate a larger pressure against long working hours, which may result in a significant decrease in the total work person-hours of engineers, the Group's financial status and business performance may be affected.

(Securing science and engineering graduates)

The Group considers science and engineering graduates to be an important managerial resource, but if the population of science and engineering graduates were to decrease due to the declining birth rate and other factors, making it significantly more difficult to hire talented graduates, the Group's financial status and business performance may be affected.

(Securing career engineers)

The Group considers engineers with work experience to be an important managerial resource. However, if the competition to secure career hires intensifies due to a shortage of engineers who wish to change jobs as a result of booming design and development activities in the manufacturing industry, making it significantly more difficult to hire talented career engineers, the Group's financial status and business performance may be affected.

(Information management)

By introducing measures such as acquiring the "PrivacyMark," the Group has been committed to properly managing personal information, confidential information, and all other information obtained in the course of its business operations. However, if such information is leaked to outside parties for some reason, the Group's social credibility will be damaged, and the Group's financial status and business performance may be affected. In addition, although the Group takes appropriate security measures to ensure the stable supply of its services, system failures and other problems may be caused by computer viruses, unauthorized access, natural disasters, or other unforeseen events, and in such cases, the Group's financial status and business performance may be affected.

(Laws, regulations, licenses, and permits)

The following laws and regulations apply for each of the Group's business categories:

(i) Worker dispatching business

Engineer Dispatching Business, which is the Group's main business, is carried out under the license from the Minister of Health, Labour and Welfare as described below, based on the Act on Securing the Proper Operation of Worker Dispatching Businesses and Protecting Dispatched Workers (hereinafter referred to as "Worker Dispatching Act")

Name	License name	Supervisory authority	License number	Licensed date	Expiration date
Artner Co., Ltd.	Worker dispatching business	Ministry of Health, Labour and Welfare	派27-020513	December 1, 2003	November 30, 2026
CLIP SOFT Corporation	Worker dispatching business	Ministry of Health, Labour and Welfare	派22-300796	March 1, 2018	February 28, 2031
JOUHOU GIKEN, Ltd.	Worker dispatching business	Ministry of Health, Labour and Welfare	派09-010004	August 1, 1987	July 31, 2029

Note: The prefix "派" (Ha) in the licence numbers above is the prefix assigned by the Minister of Health, Labour and Welfare to a worker dispatching business licence. The numbers are shown in their original Japanese form so that they can be verified against the Ministry's database.

The Group considers compliance with the Worker Dispatching Act and relevant laws and regulations to be one of its highest priorities, and strives to maintain a legal compliance system by monitoring compliance with laws and regulations via internal audits and by regularly confirming compliance with laws and regulations at different meetings. However, in the unlikely event that the Group violates such laws and regulations, which would hinder the continuity of its business, the Group's financial status and business performance may be affected. In addition, Article 14 of the Worker Dispatching Act stipulates that if a dispatching business operator falls under any of the disqualification grounds provided in Article 6 of the Worker Dispatching Act (main possible grounds: if the Group is sentenced to imprisonment or more, or is sentenced to a fine for violating the Labor Standards Act, the Worker Dispatching Act, the Employment Security Act or other labor-related laws, or the Health Insurance Act, the Employment Insurance Act or other laws, or for committing a crime under the Penal Code, the Immigration Control and Refugee Recognition Act or other laws, and five years have not passed from the date on which the execution of the sentence is completed or the sentence is no longer executed; or if the Group becomes an adult guardian or a person under curatorship, or goes bankrupt and has not had its rights restored, etc.) or violates the Worker Dispatching Act and the Employment Security Act, the business operator shall be ordered to have its business license canceled or its operations suspended. However, there are no such disqualification grounds applicable to the Group at this time. However, in the unlikely event that the Group violates such laws and regulations and is ordered to have its business license canceled or its operations suspended, it may become difficult to continue its business, and the Group's financial status and business performance may be affected.

The Worker Dispatching Act and other relevant laws and regulations are being revised from time to time by means of adding modifications in response to changes in the labor environment, social conditions, and other factors.

The Group takes appropriate measures whenever such laws and regulations are revised. However, if any such revisions made are significantly unfavorable to the Group's business, the Group's financial status and business performance may be affected depending on the details of the revised laws and regulations.

(ii) Paid employment agency business

The Group's paid employment agency business is conducted under the license from the Minister of Health, Labour and Welfare as described below, based on the Employment Security Act:

Name	License name	Supervisory authority	License number	Licensed date	Expiration date
Artner Co., Ltd.	Paid employment agency business	Ministry of Health, Labour and Welfare	27-ユ-020355	February 1, 2004	January 31, 2027
JOUHOU GIKEN, Ltd.	Paid employment agency business	Ministry of Health, Labour and Welfare	09-ユ-300005	June 1, 2004	May 31, 2027

Note: The prefix "ユ" (Yu) in the licence numbers above is the prefix assigned by the Minister of Health, Labour and Welfare to a fee-charging employment placement business licence. The numbers are shown in their original Japanese form so that they can be verified against the Ministry's database.

Article 32-9 of the Employment Security Act stipulates that if a provider of paid employment placement services (including its executives in case of a company) falls under any of the disqualification grounds as a paid employment agency business (if the Group is sentenced to imprisonment or more, or is sentenced to a fine for violating the Labor Standards Act, the Employment Security Act, the Worker Dispatching Act, or other labor-related laws, or for committing a crime under the Penal Code, the Immigration Control and Refugee Recognition Act or other laws, and five years have not passed from the date on which the execution of the sentence is completed or the sentence is no longer executed; or if the Group becomes an adult guardian or a person under curatorship, or goes bankrupt and has not had its rights restored, etc.), or violates the Employment Security Act and the Worker Dispatching Act, the service provider shall be ordered to have its business license canceled or its operations suspended. However, there are no such disqualification grounds applicable to the Group at this time. However, in the unlikely event that the Group violates such laws and regulations and is ordered to have its business license canceled or its operations suspended, it may become difficult to continue its business, and the Group's financial status and business performance may be affected. In addition, if such laws and regulations are revised in the future and if any such revisions made are significantly unfavorable to the Group's business, the Group's financial status and business performance may be affected.

(Disasters, accidents, etc.)

The Group has established a manual to deal with natural disasters, man-made disasters, and other disasters and accidents (hereinafter referred to as "Disasters, etc.") in an effort to minimize the damage. However, if any Disasters, etc. that significantly exceed its prediction take place, the Group's financial status and business performance may be affected. In addition, in the event that the Group's business activities are hindered as a result of the spread of COVID-19 infections and other factors, the Group's financial status and business performance may be affected.

(Climate change)

In the event that the Group's business activities are halted or stagnated as a result of its facilities being damaged by natural disasters due to climate change, the Group's financial status and business performance may be affected. In addition , if a carbon tax is introduced or environmental regulations are tightened as part of the government's effort to transition to a decarbonized society, and if the Group is unable to offer personnel who meet its clients' demands for engineers committed to carbon neutrality initiatives, the Group's financial status and business performance may be affected.

(Mergers and acquisitions)

The Group has a policy of conducting mergers and acquisitions (M&A) to acquire new areas of expertise and technology with an aim to increase sales and revenues through expanding the scale of its business. The Group's M&As are implemented after thorough consideration of the risks involved by conducting preliminary research through detailed due diligence on market trends and client needs, as well as the financial status and contractual relationships of the target company. However, M&As may result in significant capital demands and amortization of goodwill, etc. In addition, such M&As may not necessarily generate synergies as expected by the Group. If the business performance does not progress as expected due to major changes in the business environment or business conditions, goodwill impairment losses or valuation losses on shares may arise, and the Group's financial status and business performance may be affected. Also, when a new business that the Group has not been engaged in previously is added to its portfolio through M&As, additional risk factors specific to that business domain will emerge.

(Medium-Term Business Plan)

In March 2025, the Group announced its new Medium-Term Business Plan “Build a foundation for sustainable and next-generation growth — Make Value for 2025 to 2029,” which concludes in the fiscal year ending January 31, 2030, and has been promoting specific measures accordingly. However, as the Medium-Term Business Plan is based on the outlook of the market environment and economic conditions at the time the plan was formulated, there is a possibility that the numerical business targets may not be achieved in the event that the market environment or economic conditions change dramatically beyond expectations and the business environment does not develop as predicted.

4 Management Analysis of Financial Status, Business Performance and Cash Flows

(1) Overview of business performance and other conditions

As the Group has been preparing consolidated financial statements since the current consolidated fiscal year, comparative analyses with the previous consolidated fiscal year and with the end of the previous consolidated fiscal year have been omitted.

The Group's financial status, business performance, and cash flows (hereinafter referred to as "financial performance and other conditions") for the fiscal year ended January 31, 2026, are summarized as below.

(i) Overview of operating results during the current fiscal year

Regarding the Japanese economy during the current consolidated fiscal year, although there was concern over the effects of US trade policy, particularly on the automotive industry, R&D efforts of client companies trended steadily. As a large proportion of the Group's engineers are assigned to R&D as well as design and development fields, the Group continued to see strong demand for engineers from automotive-related manufacturers and semiconductor manufacturing equipment manufacturers, just as it had during the previous period.

(Engineer dispatching business)

The number of operative personnel increased due to an increase in the number of engineers as well as a sustained high utilization rate amid rising demand for engineers and the accelerated assignment of newly graduated engineers who joined the Group in 2025 to their work ahead of the initial schedule. Moreover, the trend of wage increases by companies and engineer shortages pushed up the unit price for newly graduated engineers at their first assignments. Strategic placements in growth fields and high value-added fields also led to a rise in the unit price of engineers.

(Contracting business)

Aggressive sales activities have led to an increasing number of engineers assigned to contracted projects. Furthermore, by shifting from engineer dispatching to contracting projects in response to client needs, the contracting business's net sales ratio increased.

In terms of profits, while there were recruitment investment, IT/DX investment, and training equipment investment as well as other expenses, these were absorbed by net sales growth, leading to an increase in all profits.

As a result of all this, the Group's financial status and business performance for this fiscal year are as stated below.

a. Overview of financial status during the current fiscal year

Total assets at the end of the current consolidated fiscal year came to JPY 9,058,062 thousand.

Total liabilities at the end of the current consolidated fiscal year came to JPY 3,835,030 thousand.

Total net assets at the end of the current consolidated fiscal year came to JPY 5,223,031 thousand.

b. Business performance

For the current consolidated fiscal year, net sales came to JPY 12,046,664 thousand, operating profit to JPY 1,821,714 thousand, ordinary profit to JPY 1,823,883 thousand, and profit attributable to owners of parent to JPY 1,258,741 thousand. Operating margin was 15.1%.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current consolidated fiscal year came to JPY 4,725,285 thousand.

Cash flows for the current consolidated fiscal year and factors therein are as stated below.

(Net cash provided by (used in) operating activities)

The cash gained as a result of operating activities totaled JPY 1,415,192 thousand. This is mostly because the Group recorded JPY 1,820,591 thousand in profit before income taxes, among others, whereas the Group also recorded JPY 637,723 thousand in income taxes paid.

(Net cash provided by (used in) investing activities)

The cash used as a result of investing activities totaled JPY 1,389,104 thousand. This is mostly because the Group recorded JPY 1,315,518 thousand in payments for the acquisition of shares of subsidiaries that entailed changes in scope of consolidation, among others.

(Net cash provided by (used in) financing activities)

The cash gained as a result of financing activities totaled JPY 110,221 thousand. This is mostly because the Group recorded JPY 1,000,000 thousand in proceeds from long-term borrowings, among others, whereas the Group also recorded JPY 887,697 thousand in dividends paid.

(iii) Records of production, orders received, and sales

a. Record of production

A record of production has been omitted because the mainstay of the Group's business consists of software, electronics, and machine engineer dispatching services, which, based on the nature of services provided, are not fit to be presented for a production record.

b. Record of orders received

A record of orders received has been omitted because orders received are almost equal to sales in terms of monetary amounts due to how the Group's business works.

c. Record of sales

Sales results by business category for this fiscal year are as shown below.

Business Category	FY2026 (Fiscal year ended January 31, 2026)	
	Amount (thousands of yen)	YoY (%)
Engineer Dispatching Business	10,377,653	–
Contracting Business	1,615,896	–
Other businesses	53,113	–
Total	12,046,664	–

Notes: 1. Since the Group has only one reportable segment, the figures are sorted by business category.

2. The table below shows sales results sorted by major client and percentages they make up of overall sales for the current consolidated fiscal year.

Client	FY2026 (Fiscal year ended January 31, 2026)	
	Amount (thousands of yen)	Percentage (%)
Honda Motor Co., Ltd.	2,064,750	17.1
Honda R&D Co., Ltd.	1,602,048	13.3

(2) Analysis and discussion of the state of business performance and other conditions from the perspective of the management

The management of Artner understands, analyzes, and discusses the Group's business performance and other conditions as stated below.

Please note that the statements about the future in the text are judgments made at the end of the consolidated fiscal year ended January 31, 2026.

(i) Understanding, analysis, and discussion of the state of financial status and business performance

a. Financial status

Total assets at the end of the current consolidated fiscal year came to JPY 9,058,062 thousand. This mainly breaks down into cash and deposits of JPY 4,728,888 thousand, accounts receivable - trade of JPY 1,789,787 thousand, and goodwill of JPY 1,519,366 thousand. Total liabilities at the end of the current consolidated fiscal year came to JPY 3,835,030 thousand. This mainly breaks down into long-term borrowings of JPY 928,028 thousand, provision for retirement benefits for directors (and other officers) of JPY 545,600 thousand, and accounts payable - other of JPY 542,775 thousand. Total net assets at the end of the current consolidated fiscal year came to JPY 5,223,031 thousand. This mainly breaks down into capital of JPY 238,284 thousand and retained earnings of JPY 4,667,939 thousand.

b. Business performance

(Net sales)

In the engineer dispatching business, the number of operative personnel increased due to an increase in the number of engineers as well as a sustained high utilization rate amid rising demand for engineers and the accelerated assignment of newly graduated engineers who joined the Group in 2025 to their work ahead of the initial schedule. Moreover, the trend of wage increases by companies and engineer shortages pushed up the unit price for newly graduated engineers at their first assignments. Strategic placements in growth fields and high value-added fields also led to a rise in the unit price of engineers. In the contracting business, aggressive sales activities have led to an increasing number of engineers assigned to contracted projects. Furthermore, by shifting from engineer dispatching to contracting projects in response to client needs, the contracting business's net sales ratio increased. As a result of the above, for the current consolidated fiscal year, net sales came to JPY 12,046,664 thousand.

(Operating profit, ordinary profit, and profit)

In terms of profits, while there were recruitment investment, IT/DX investment, and training equipment investment as well as other expenses, these were absorbed by net sales growth, leading to an increase in all profits. As a result of the above, for the current consolidated fiscal year, operating profit to JPY 1,821,714 thousand, ordinary profit to JPY 1,823,883 thousand, and profit attributable to owners of parent to JPY 1,258,741 thousand.

c. Factors that may have a material impact on business performance

In regard to factors that may have a material impact on business performance, the Group is aware that its business environment, business fields, how it operates its businesses, and a variety of risk factors may have a material impact on the Group's business performance, as stated in "II. Business Conditions 3. Business and Other Risks."

Therefore, while keeping an eye on market trends at all times, the Group plans to strengthen its internal management structure, hire and retain talented employees, and offer services designed to match market needs, thereby diversifying and reducing risks that may have a material impact on the Group's business performance and taking appropriate actions.

d. Objective indicators for assessing management policies, corporate planning and strategies, and the achievement status of management goals

The Group has positioned the operating margin as an important management target, which it uses as an objective indicator for assessing management policies, corporate planning and strategies, and the achievement status of management targets from a profitability perspective. In addition to maintaining a high utilization rate, the unit price of engineers rose due to strategic placement in growth and high value-added fields. In terms of profits, while there were recruitment investment, IT/DX investment, and training equipment investment as well as other expenses, these were absorbed by net sales growth. As a result, operating margin was 15.1% for the current consolidated fiscal year.

(ii) Analysis and discussion of cash flows and information regarding sources of capital and liquidity of funds

The Group's state of cash flows for the fiscal year ended January 31, 2026 is as stated in "(1) Summary of business performance and other conditions (ii) Cash flows."

The cash the Group has demand for is primarily to cover personnel expenses for engineers the Group dispatches to client companies. As a rule, the Group allocates its own funds to working capital, funds for equipment, and other required funds. Yet the Group also turns to borrowings from a bank to raise capital if the situation demands.

(iii) Significant accounting estimates and assumptions used in the estimates

The Group prepares its consolidated financial statements based on accounting standards that are generally accepted as fair and appropriate in Japan. In preparing the consolidated financial statements, the Group has used estimates and assumptions that may impact the reported amounts of assets, liabilities, earnings, and expenses. However, results may turn out to differ from these estimates and assumptions.

The significant accounting estimates and assumptions used in preparing the consolidated financial statements are as stated in "V. Financial Information 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements Notes (Significant Accounting Estimates)."

5 Important Contracts

The Company resolved, at the meeting of its Board of Directors held on September 8, 2025, to acquire all the shares of CLIP SOFT Corporation (hereinafter referred to as "CLIP SOFT") and make it a subsidiary of the Company. A share transfer agreement was also concluded on the same date. Further details are as stated in "V. Financial Information 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements Notes (Regarding Business Combination)."

Moreover, at the meeting of its Board of Directors held on December 8, 2025, the Company resolved to acquire all the shares of JOUHOU GIKEN, Ltd. and make it a subsidiary of the Company. A share transfer agreement was also concluded on the same date. Further details are as stated in "V. Financial Information 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements Notes (Regarding Business Combination)."

6 R&D Activities

Not applicable.